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MONTHLY REVIEW

N INDEPENDENT SOCIALIST MAGAZINE

FIFTY YEARS IS ENOUGH!

SAMIR AMIN

THE CONTRADICTIONS OF MARKET SOCIALISM

JAN TOPOROWSKI

BUREAUCRATS AND AUTOCRATS: A REVIEW

CHERYL PAYER

VOL. 46
11

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MONTHLY REVIEW (ISSN 0027 0520) is a publication of Monthly Review Foundation, a non-profit institution. It is published monthly except July and August, when bimonthly, and copyright © 1995, by Monthly Review. Second-class postage paid at New York, NY and additional mailing offices. POSTMASTER: Send all address changes (Form 3579) to Monthly Review Foundation, 122 West 27th Street, New York, NY 10001.

EDITORIAL AND BUSINESS:
122 West 27th Street, New York, NY 10001. Telephone: (212) 691-2555. Fax: (212) 727-3676. E-Mail: mreview@igc.apc.org. Unsolicited manuscripts will not be returned unless accompanied by a stamped, self-addressed envelope. *MR* is indexed in the PAIS Bulletin, Historical Abstracts, America: History and Life, and the Alternative Press Index, P.O. Box 33109, Baltimore, MD 21218, tel.: (410) 243-2471.

NEWSSTAND DISTRIBUTION:
B.De Boer, Inc., 113 E. Centre Street, Nutley, NJ 07110; Armadillo & Co., 5795 W. Washington Boulevard, Culver City, CA 90232; Small Changes, 3443 Twelfth Avenue West, Seattle, WA 98119; Central Books, 99 Wallis Road, London, E9 5LN, England.

SUBSCRIPTION PRICE:
U.S.: One year $25, students and senior citizens $20; Foreign $29; students and senior citizens $25.
Libraries and Institutions: U.S. $45; Foreign $48.
Additional Postage: First Class (U.S. and Canada $15); Airmail: Foreign $20.

EDITORS: Paul M. Sweezy Harry Magdoff Leo Huberman (1903-1968)
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NOTES FROM THE EDITORS

In this space in the December issue of *Monthly Review* we commented on the deplorable conditions of repression that are confronted by our sisters and brothers in India who are engaged in an uphill struggle to make their country live up to its reputation as the world's largest democracy. An example we cited, the Indian state of Andhra Pradesh, has taken a turn for the better. We quote from an Associated Press dispatch dateline Hyderabad, January 25: "The Government of Andhra Pradesh said it was releasing the chief of a left-wing guerrilla group that has been fighting in the state for almost fifteen years. The state's actor-turned-politician chief minister, S.T. Ramarao, issued a statement saying that the government was dropping two charges of sedition and one murder charge against Kondarpalli Seetharamaiah. Seetharamaiah, seventy-four, has been in jail since 1993, but his People's War Group's more than 400 armed guerrillas have continued attacking rich landowners and policemen as part of a violent campaign against the exploitation of poor farmers. . . . More than 300 activists of the group are still in jail, facing charges of murder and extortion. Ramarao, who won state elections in December promising cheaper rice and pro-poor policies, did not give any reason for the sudden decision to release Seetharamaiah. But the move seemed to be part of his populist program aimed at projecting himself as a friend of the state's many poor farmers. Ramarao has also been under pressure from human rights organizations

(Continued on inside back cover)

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THE CONTRADICTIONS OF MARKET SOCIALISM

by JAN TOPOROWSKI

The Polish economist, mathematician, and statistician Michael Kalecki (1899-1970) is best known as a radical figure in the circle around the reforming English economist John Maynard Keynes. Kalecki contributed to the debates sparked off by Keynes's attack on the orthodoxy, as widespread in his time as it is in ours, that economic depression and instability can only be resolved by freeing "market forces" and greater competitiveness. Compared to his so-called "Keynesian" economics, Kalecki's work on the economics of socialism appears fragmentary and seemingly confined to Eastern European problems, even to sympathetic commentators like Osiatynski and Nuti.[1]

However, his working-class sympathies and the clearly Marxist origins of his analysis of capitalism, based on class divisions of power and income, made many left-wing Keynesians, most notably Joan Robinson, see him as the key link between Keynesian economics and Marxism. This is a critical issue because there were fundamental differences between the respective views of Kalecki and Keynes on capitalism. The English economist sought essentially an enlightened state-managed capitalism, while Kalecki clearly favored the replacement of capitalism by a system in which key industries would

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be nationalized, and the economy would be planned centrally for the benefit of all. As long as Kalecki is regarded as a mere left-wing Keynesian, it is understandable that his views on how a socialist economy should operate, and his clear opposition to market socialism, do indeed appear fragmentary and somewhat eccentric, especially in our time when Eastern European socialism, in which Kalecki lived and worked from 1955 to 1970, appears so signally to have failed to satisfy the aspirations of the working people of that region; when laissez-faire capitalism appears to many to be the only sensible way to run an economy; and when many socialists have reconciled themselves to seeking only to incorporate welfare state provisions in the capitalism in which they live. But once Kalecki's views on socialism are placed in the context of his critique of capitalism and his critical understanding of Keynesianism, his economics of socialism comes out as a strong and reasoned case for socialism and a consistent view of how a socialist economy should operate, incorporating a strong critique of market socialism. From this emerges a clear understanding of what went wrong with the Soviet and Eastern European management of their economies, and a way forward for socialist economics that avoids both wishful thinking about socialism, and fatalism about capitalism and its institutions.

The economics of socialism dates back to the foundation of the Soviet Union when Lenin, Bukharin, Preobrazhensky, and Feldman were faced with the practical problems of establishing socialism in an economically backward society. They took for granted the political victory of socialism and proceeded to examine more systematically the economic problems of industrialization, rural infrastructure such as electrification, and the establishment of basic social-welfare facilities. The main problem of socialism, in their view, was how to maximize investment in order to achieve a better material standard of living for all citizens. More orthodox Western critics of socialism identified the coordination of economic activities as the main economic problem facing a socialist regime. In various guises, the core of Western eco-

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nomic criticism of socialism continues to be that a socialist economy is doomed to shortages and inefficiency because it abolishes the free price system and entrepreneurship that are supposed to characterize dynamic capitalism.

In contrast with both of these approaches, Kalecki began his socialist economics implicitly with the problems of capitalism. When discussing the economic problems of socialism, he refers repeatedly to the capitalist economy to show how differently adjustments to particular problems occur in the two types of economies. The chief problem of capitalism, according to Kalecki, is market instability, and the most damaging form of instability is the business cycle in which, at best, full employment is achieved only temporarily at the peak of a boom, so that unemployment persists most of the time under capitalism. Kalecki's often difficult mathematical arguments set out to show that a market economy does not converge to an efficient "equilibrium," as most economists argue.

For Keynes, with whom Kalecki's work on capitalism is usually associated, the problem with capitalism is that the capitalists' rationality is limited by uncertainty and this makes their decisions subject to volatile shifts in their expectations.[2] Kalecki differed from Keynes and his followers in believing, like Rosa Luxemburg and Marx, that the irrational characteristics of capitalism could not be attributed to defects in the faculties of capitalists. They too are at the mercy of an irrational system, one that distorts the outcome of their individually rational decisions. The outcome depends on the response of capitalists as a class to situations which impose decisions on them that may be individually rational, but collectively disastrous. In a laissez-faire capitalist economy, the movements of economic aggregates, which are critical for employment, trade, and financial and economic stability, are incidental outcomes of narrowly focused individual decisions, however rational they may be.

Examples of this individual rationality/collective irrationality in capitalism are numerous in Kalecki's writings on capitalism and socialism. Perhaps the best example is in his

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treatment of the relationship between wages and profits. While it is clearly rational for individual capitalists to reduce the wages of their workforce, it is to their disadvantage when entrepreneurs as a whole do so: the effect is to reduce the demand for wage goods and redistribute profits from entrepreneurs to rentiers.[3]

In his writings on socialism, Kalecki repeatedly points out that, contrary to the view widespread among economists and economic commentators, a market economy responds less flexibly and more haphazardly than a socialist economy to changes in supply. For example, suppose that steel supply is reduced. Prices may rise, but the response of steel-using industries is likely to be a further increase in prices of their output, which may have little effect on demand in steel-using industries. Reaching equilibrium between supply and demand may take a long time, with the effects of the steel shortage being spread across industries in a haphazard manner that may be unrelated to social or consumer priorities. It is rational then for a central planning agency to identify a major steel-using industry and reduce its output modestly.[4] Elsewhere Kalecki argued that the introduction of "free market" forces in the socialist economy would give rise to macroeconomic instability.[5]

Keynes had argued that a capitalist economy could be stabilized at, or near, full employment by government spending designed to prop up private investment and consumption. But Kalecki pointed out that, in a market economy, a stable level of investment eventually gives rise to excess capacity. Demand would not keep up with the continual increase in productive capacity, unless the economy moved toward more and more capital-intensive (or capital-wasting) techniques; or the government ran a permanent budget deficit; or there was sufficient excess demand abroad to maintain profits with a permanent foreign trade surplus.[6] Kalecki showed that excess capacity reduces entrepreneurs' profits and discourages their investment. As long as existing capacity is under-used, capitalists are unlikely to invest in further productive capacity, and

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even their reduced investment creates further excess capacity. Profits are squeezed and entrepreneurs are forced to cut costs, including wages. As a result, demand falls even more and further excess capacity is created. Recession breeds more recession until all excess capacity is finally eliminated. Thus the profitability of the productive capital that remains is restored. In turn, higher profitability with no excess capacity starts investment off again.

For Kalecki, these problems are inherent in the way market forces operate, so that even the most rational decisions by capitalists are constrained by their sales revenue, capacity utilization, and retained profits (which allow entrepreneurs to finance investment with less risk than borrowed money or rentiers' funds). Even if rentiers were eliminated and central planners used market instruments, such as interest rates, to guide investment, the economy would still experience instability because the operation of market forces would cause investment (and hence enterprise profits and sales) to fall when excess capacity appears in the economy.

Kalecki therefore opposed "market socialism."[7] The destructive consequences of free-market forces had to be limited by intelligent and responsible economic planning so that "irrational" demand and financial constraints on production, employment, and consumption could be removed. Hence he concluded that a socialist economy had to be centralized. In particular, central planners should set the prices and production targets for the main commodities produced, and control the main investment projects and foreign trade. He was especially insistent that each state enterprise's wage bill should be centrally determined. This was to avoid cost-minimizing by enterprises of the kind that would lead to unemployment and falling real wages. In this way, socialism would avoid the chief problems of capitalism.

Kalecki was nevertheless aware of the limitations of central planners, and he became more aware of them as he experienced, first hand in Poland during the 1960s, their various policy errors. In particular, he criticized their propen-

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sity for "heroic" plan construction, with extravagant production targets set to win acclaim among the masses and offer them opportunities for material sacrifice for the sake of future prosperity. In the 1950s, Kalecki had advanced the view that shortages and overcentralization in economic organization were the result of such heroism rather than being caused by over-centralization itself, as most economists have argued. In his view, workers' councils were necessary to avoid excessive bureaucratization, but not as part of a market system of control over production.[8]

Under Stalinist central planning, the central planners allowed excessive investment and did not allocate resources of consumer goods production. Excessive production of investment goods drained material resources away from the consumption sector of industry and agriculture, reducing efficiency in those sectors and giving rise to shortages in industry and inadequate supplies of consumption goods. The revulsion against Stalinist excesses in Poland gave way to a somewhat tighter control over investment after 1955, when Kalecki was advising on economic planning. But the benefits of this were vitiated by faulty strategic choices which Kalecki criticized and which reduced the effectiveness of the investment programs as a whole, resulting in a slow-down in economic activity in the later 1960s.

Kalecki's work on the socialist economy adds up to a strong economic rationale for socialism and a consistent view of how it should operate. The starting point of his analysis was a clear appraisal of the fundamental problems of capitalism and the limits of Keynesianism, which could only be overcome by central planning in a socialist economy. At the core of his analysis was the planning of investment, not only because it is the vehicle for economic progress in underdeveloped economies, but also because the efficiency of the socialist economy at full employment was determined by the strict control of investment. This clear understanding of the fundamental economic problems of socialism makes Kalecki's analysis more relevant than contemporary theories of socialism that

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may claim greater generality and comprehensiveness but either idealize capitalism, and hence can only explain post-Communist difficulties by past Communism, or whitewash with political enthusiasm the all-too-obvious economic problems of socialism.

NOTES

1. J. Osiatynski, *Michael Kalecki on a Socialist Economy* (London: Macmillan, 1988); D.M. Nuti "Michael Kalecki's Contribution to the Theory and Practice of Socialist Planning," *Cambridge Journal of Economics,* Vol. 10 (1986).
2. J.M Keynes, *The General Theory of Employment, Interest and Money* (London: Macmillan, 1936); J.M. Keynes, "The General Theory of Employment," *Quarterly Journal of Economics* (February 1937).
3. "One of the main features of the capitalist system is the fact that what is to the advantage of a single entrepreneur does not necessarily benefit all entrepreneurs as a class. If one entrepreneur reduces wages he is able *ceteris paribus* to expand production; but once all entrepreneurs do the same thing, the result will be entirely different." "The Mechanism of the Business Upswing," in Kalecki, *Studies in the Theory of Business Cycles* (Oxford, 1969), p. 26; see also Kalecki, "Class Struggle and the Distribution of National Income," in *Selected Essays on the Dynamics of the Capitalist Economy, 1933-1977* (Cambridge, 1971), pp. 156-164.
4. Kalecki, *Selected Essays on Economic Planning* (Cambridge, 1986), p. 30.
5. Ibid, p. 52.
6. See Kalecki, "Three Ways to Full Employment," in *The Economics of Full Employment* (Oxford, 1944); Kalecki, "The Problem of Effective Demand in Tugan-Baranovsky and Rosa Luxemburg," in *Selected Essays on the Dynamics of the Capitalist Economy.*
7. Kalecki, *Selected Essays on Economic Planning,* pp. 29-31.
8. Kalecki, "Workers' Councils and Central Planning," in *Selected Essays on Economic Planning.*

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FIFTY YEARS IS ENOUGH!

by SAMIR AMIN

The action of major world economic institutions, especially the International Monetary Fund, the World Bank group, and GATT, has been the object of many critical studies. So many of these studies are outstanding both in the precision of their information and the accuracy of their analysis that one may wonder if anything more needs to be said. It is noticeable, however, that until around 1980 most of these criticisms remained evenhanded. Of course, critics pointed out that the policies pursued by these institutions were part of the logic of capitalist expansion, serving the interests of transnationals, careless of the environment (whose claims had barely begun to be gauged), uncritically accepting the idea that "development" would bring about a decrease in "pockets of poverty" by a "trickle down" effect. Yet, on the other hand, a positive view was taken of openness and the progress of globalization, and consequently of the support they received from the IMF to help solve balance-of-payments difficulties, return to the convertibility of major currencies, gradually lower tariffs, etc. It was also noted that these institutions respected the national options of countries choosing to assign a major economic role to the public sector, to subject foreign capital to strict controls, and even, in some cases, to opt for

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"socialism" and delink their internal prices and wages from the logic of world capitalism, systematically redistributing national income.

At the time, therefore, one of the main criticisms addressed to these institutions was the timidity of their interventions. It was seen as regrettable, for example, that the IMF should be helpless in its relations with the great capitalist powers, that the United States should have eliminated the World Bank from European reconstruction and used the alternative of the Marshall Plan, that GATT should plead for lower tariffs without daring to go any further, etc.

The external debt crisis, which opened with Mexico's threat to suspend payments in 1982, did not radically change this perspective. The institutions—and especially the IMF, one of the main parties involved—were criticized above all for their inaction in relation to the new situation: the fund merely organized the "rescheduling" of the debt, without tackling its causes or the mechanisms ensuring its reproduction and expansion (high interest rates, uncontrolled openness, etc.).

Criticisms addressed to international economic institutions became much more severe in 1981. At that point, when Ronald Reagan—for whom extreme neoliberal doctrines were gospel—came to power, the institutions became instant converts to these doctrines, as if it was necessary for them to follow every change of fashion inside the White House. This conversion immediately crystallized as a simple and universal program for action known as the "structural adjustment program," or "SAP." The program was first applied to Third World countries considered to be "in crisis" (as if the capitalist countries were not!); it compelled them to "adjust"—unilaterally—to new conditions. At the end of the 1980s it was extended to Eastern bloc countries to "help" them through a swift reconversion to "normal" capitalism.

I shall not repeat in this article to criticisms of this "adjustment" in its various forms. Excellent and comprehensive critiques, including both concrete studies of national experiences and broad syntheses, have been carried out in

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such a way that there is no need to repeat them. I have no hesitation in going along with the summary of these criticisms formulated by the International People's Tribunal to Judge the G7 in their Tokyo verdict of 1993. According to the Tribunal, the general consequences of SAPs have been: a sharp increase in unemployment, a fall in the remuneration of work, an increase in food dependency, a grave deterioration of the environment, a deterioration in healthcare systems, a fall in admissions to educational institutions, a decline in the productive capacity of many nations, the sabotage of democratic systems, and the continued growth of external debt.

This judgment—graphic, yet accurate and healthy—contains two forceful and important conclusions, the first explicit and the second implicit: (1) The policies instituted by international institutions in obedience to strategies adopted by the G7 are the cause of the brutal and massive impoverishment of popular majorities, particularly in the South and East; (2) these policies do not provide any solution to the "general crisis," on the contrary, they aggravate its development by feeding into a deflationist spiral.

This second aspect of the judgment strikes me as most important for the argument I will be presenting below. For the most part, criticisms of these policies have been formulated by what are known as "non-governmental organizations" of an extremely diverse nature. The concept of "capitalism" is unknown to many of these organizations, and as a consequence their criticism of these policies is strictly moral. The policies are accused of fostering poverty, as if the logic of the system had nothing to do with it. Poverty is thus the product of "errors" which could be "corrected."

Some critics do not ignore the responsibilities belonging to the logic of the system as a whole, and indeed, over the past few years the World Bank has attempted to restore its reputation by offering a limited "self-criticism" of the liberal policies favored during the 1980s. A malicious mind would be tempted to say that the World Bank is simply adapting to the

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new rhetoric of Clinton's White House. However that may be, neither the IMF, hidden behind "monetary" professionalism, or GATT, ever opaque and shielded by the "commercial secrets" of the transnationals which dominate its clientele, have followed suit. Again, malicious tongues might be tempted to comment that this double language is also that to the White House and that officials from the various institutions have simply distributed the work in this spirit.

In any case, the Bank's "self-criticism," and the tears it sheds over the plight of "the poor," do not deceive all of its readers. In a 1993 document, Marcos Arruda, general secretary of the ICVA, ironically made the following points: the World Bank continues to ignore the fact that "the poor" were not on the agenda of the policies carried out before 1980, and were not, therefore, a "new" issue; the debt crisis has yet to be resolved, and the South, as a consequence, has become an exporter of capital to the North; that the export-oriented growth advocated by the Bank is fragile and unsustainable; and that it is the nature of structural adjustment policies to exclude popular participation and democracy.

The "Laws of History"

I believe that it is always useful to recapitulate the logic of capitalism, even at the risk of repeating truisms. Capitalism is not a "system of development" that might be opposed, for instance, to the "socialist doctrine." I think it is necessary to make a distinction here between the reality of what capitalism produces, i.e., the expansion of capital, and the concept of "development." The first phenomenon, studied as a social reality, must be considered on two levels, that of its immanent (abstract) tendency and that of its historical (concrete) reality. The concept of development, on the other hand, is by nature ideological. It enables one to "judge" results according to criteria that have been drawn up a priori—the same criteria that contribute to the definition of a social project. Such projects may be more or less radical, put forth different

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concepts of freedom or equality, human liberation, efficiency, etc.

The combination (or the confusion) of these two concepts, the reality (capitalist expansion) and what is desirable (development in a predefined direction), is the cause of many blind spots in the criticisms of existing policies. The institutions with which we are dealing systematically amalgamate the concepts—they propose ways of helping capital to expand and identify the result, or what could be the result according to them, as development.

Yet the logic of capitalist expansion does not imply any result that can be identified in terms of development. For example, it does not imply full employment, or a predetermined degree of equality in the distribution of income. Expansion is guided by the search for profit by the companies (or more precisely by the bourgeoisie that controls them and is endowed, for this purpose, with the monopoly represented by private property). This logic may cause employment to expand under some conditions, or to contract under others; it may reduce income inequalities or accentuate them.

Again, the confusion entertained between the concepts of "market economy" and "capitalist economy" is the cause of a dangerous weakening of the criticisms aimed at existing policies. The "market," a term referring by nature to competition, is not "capitalism," of which the content is precisely defined by the limits to competition implied by the monopoly of private property (belonging to some while others are excluded). The "market" and capitalism are two distinct concepts. Walras, who was consistent in his defense of the "advantages" of the market, did not entertain the confusion which our students of neoliberalism unconsciously perpetrate every day. Even Walras grasped the fact that capitalism offers a non-optimal version of the market, and that the true rule of the market implies the abolition of private property. Therefore, he imagined an ideal of "capitalism without capitalists"—a concept formulated by Engels to describe the project of the Second International, and taken up by the post-Stalinist Soviet

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"reformers" of the Novossibirsk school. The utopian nature of this project, whose deficiencies were confirmed by the failure of the subsequent Soviet reform known as "market socialism," merely reminds us of the criticism addressed by Marx to "economism."

The fact is that actually existing capitalism does not work as a system of competition between the beneficiaries of the monopoly of property—among themselves and against others. In order to work, capitalism requires the intervention of a collective authority representing capital as a whole. Therefore, the state cannot be separated from capitalism. The policies of capital, and hence of the state acting as representative of capital, have their own (concrete) logic of stages. These forms of logic explain why the expansion of capital causes employment to expand at certain moments and to contract at others. Such forms of logic are not the expression of abstract "market laws," but requirements of the profitability of capital under certain historical conditions. The rise of unemployment over the past twenty-five years has been produced not by the "market," but by the strategies of capital. Unemployment is desired by the capitalist state as a necessary means to destroy the achievements of the workers' movement. This proposition applies both to the developed capitalist West and to the reconquered countries of the East. There is no reason to believe the speeches of those in power as they lament unemployment. In the peripheries of the capitalist system, "poverty" and unequal distribution of income are not "negative" effects produced by specific circumstances or "mistaken" policies. They are the product of the system's logic, the logic of world polarization immanent in the system itself. Therefore these "effects" are permanent, even though they are diminished in certain phases and increased in others.

During the period with which we are concerned (the post-Second World War period from 1945 to 1994), the logic of capitalist expansion has, on the one hand, gradually eroded national systems of production created during the previous historical period (since mercantilism and especially the Indus-

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trial Revolution), and, on the other hand, has adapted to the progressive industrialization of the peripheries, which until then had precisely been excluded from the field of industrial production.

Thus capitalist expansion both produced these changes in the world system and adjusted itself to them. I suggest, therefore, that the policies carried out first by states and second by international institutions should be examined in the light of this twofold requirement that is both complementary and contradictory. The consequence I see is that "moral" judgments, or those expressed in closely related terms such as "success" and "failure," should be revised from the point of view of this logic instead of being based on results achieved in terms of "development."

My conception of the "laws of history," as expressed here by the logic of capitalist expansion, is not determinist. For example, the industrialization of the periphery during the postwar period is not the natural product of capitalist expansion, but the product of conditions created by the victories of national liberation imposed by industrialization, and to which worldwide capital adapted. Another example: the erosion of the effectiveness of the national state produced by capitalist globalization is not a decisive and irreversible determinant of the future. On the contrary, national reactions to this globalization may compel world expansion to take unforeseen directions.

The reflections developed here require a detailed examination of the postwar period, identification of its successive phases, and within this context an assessment of the policies carried out by the institutions under consideration, either to support capitalist expansion or to help it adapt to the conditions imposed on it by the social relations specific to the period, which as a whole is clearly divided into a period of prosperity (1945-1975) and a period of crisis beginning in 1975. According to my analysis, the prosperity of the first was founded on the complementarity of three social projects: (1) The national social-democratic project of the welfare state,

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basing its action on the efficiency of interdependent national systems; (2) what I have designated as the "Bandung project," involving national bourgeois construction at the periphery of the system as the ideology of "development"); (3) the Soviet project of "capitalism without capitalists," relatively independent of the dominant world system.

During this first period, international institutions carried out obvious functions related to the boom. They helped globalization progress, while avoiding for reasons of principle any challenge to the independence of the components of the system. Their interventions, almost by nature, always brought about a shift to the right. The second period involved first erosion, then crisis and collapse of the systems that had been the basis of the previous prosperity. This period, which is not yet over, is not a period in which a new world order is being established, as has been asserted too often and too glibly. Instead, it is a period of chaos which is far from being over. This is the context in which I locate the actions of the international institutions after 1970. According to my analysis, these actions are not part of a positive strategy for the expansion of capital; rather they are attempts to create the conditions for this expansion. They will not succeed because the "spontaneous" project of capitalist domination—the project of managing the world through what is known as "the market," that is, the immediate and short-term interests of the dominant forces of capital—remains utopian. This very specific situation invites us to reconsider the spontaneous tendencies of management by capital. From this perspective I believe it is useful to focus on what I have called the five monopolies through which the domination of the centers over the peripheries might develop in the near future.

The Institutional Structure

A great deal has been written about the interventions of the large international economic institutions (IMF, World Bank, GATT, UN institutions), to which should also be added

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the major regional institutions (including the EEC, and for Africa the Lomé convention governing the EEC-ACP association). In what follows, I shall recapitulate this history only to emphasize the criticisms most often levelled at these institutions and the inferences I draw from them.

The IMF's original mandate was to ensure monetary stability in an open world economy, as a substitute for the gold standard, which had fulfilled this function successfully until the First World War. This implied that the IMF's interventions were to impose adjustments on all parties, whether their payment balances were in surplus or deficit. During the first period of its existence, the IMF gave the impression of a certain efficiency as it helped to reestablish the convertibility of European currencies (1948-1957), then helped European economies to adjust (1958-1966). From 1967 on, however, the Fund failed to maintain stability despite the creation of Special Drawing Rights. The adoption of the general system of floating currencies in 1973 may be considered to mark the end of the Bretton Woods mandate. At that point the continued existence of the IMF was called into question. The institution survived by taking on new functions: management of unilateral structural adjustments in developing countries and, from the end of the 1980s, interventions in Eastern bloc countries to ensure their reincorporation in the international monetary system.

Criticisms addressed to the institution, widely shared by almost all analysts of the world economy, agree on the following points: (1) The IMF (like the other Bretton Woods institution, the World Bank) was designed to provide the United States with complete control over its interventions. Rejecting the option of a world central bank defended by Keynes, the United States preferred a weaker institution, in a state of dependence, over one that would have been more effective but for which the United States would have had to share responsibility with others. This is why the resources of the IMF have always been limited, despite its borrowing. The IMF may be able to act as a "catalyst" (by defining the rules of condi-

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tionality, for instance), but it cannot go much further. (2) Despite the logic spelled out in its mandate, the IMF has never been able to compel the great capitalist powers (particularly the United States), whether they show a surplus or a deficit, to carry out structural adjustments as harsh as the ones it imposes of Third World countries. The reason for this, of course, is the one spelled in the preceding paragraph. (3) In its relations with the Third World, the IMF did not pursue the objective of either preventing debt from reaching excessive levels during the 1970s or subsequently of reducing this debt. Its job is to manage the debt by imposing structural adjustments designed for this exclusive purpose (servicing the debt) even if they are detrimental to economic growth. (4) In its new relations with the countries of the Eastern bloc, the IMF pursues the objective of accelerating their return to convertible currencies in a context of maximum openness. The extreme brutality of the solutions recommended by the Fund has been obvious: convertibility is to be reestablished within one year, whereas Western Europe took fifteen years to reach this point after 1945. (5) In all of these functions, the IMF has no real authority to define objectives. The fund is merely the executive of strategies defined by the G7—strategies that are based on the least common denominator among the positions of the United States, Japan, and the EEC.

It is necessary to go beyond these criticisms if we want a serious discussion of the value of alternative proposals. We must ask if it is possible to correct the weaknesses set out above, and thus to opt for the transformation of the IMF into a genuine world central bank—one that would promote adjustment, of course, but adjustment for all, as part of a strategy for growth and development that would encompass significant effects (growth of employment, decrease in poverty, and so on), as well as respect for the environment, a reduction of inequalities at the global level, and openness. I doubt it, for the following reasons: (1) The successive phases of growth and stagnation characteristic of the history of capitalism are not produced by a monetary system that is "good" in one case and

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"bad" in the other. I have argued (along with Baran and Sweezy) that capitalism tends, by nature, to create relative overproduction and that the tendency to stagnation associated with this overproduction is overcome, during the growth phases, for reasons specific to each period. For the postwar period, these circumstances are the ones I have analyzed as a three-part system, consisting of: national "Fordism"; European reconstruction and developmentalism; national liberation, Sovietism, and "delinking," and reinforced by the gigantic military spending of the period. The strong overall growth produced by these conditions made the monetary system work more smoothly, whatever its vagaries. (2) Under these conditions, exchange rate stability was produced not by the adequacy of the Bretton Woods system, but, at first, by the economic power of the United States. This power, manifesting itself as "hunger for dollars," was reinforced by the dollar's gold convertibility and by administrative controls on capital movements in Europe, which were maintained until reconstruction was completed and Europe was in a position to become open. This movement continued, to the detriment of the United States (hence its "relative decline"), and the world system went from a shortage to an excess availability of dollars. At the same time, a crisis began with the erosion of the basis of postwar prosperity in the late 1960s (before the first oil shock of 1973), leading to the collapse of opportunities for productive investment. The concomitance of the U.S. deficit (leading to an excess of dollars available on the market) and the crisis of productive investment produced a mass of floating capital with no place to go. The choice of floating exchange rates in 1973 was therefore perfectly rational: it allowed this gigantic mass of floating capital to find an outlet in financial speculation. Today, while world trade is valued at $2 billion, international capital movements are estimated at $50 billion! Without financial openness and floating exchange rates, the dead weight represented by this mass would have aggravated the crisis. The logic of the system therefore requires today's focus on "managing" the crisis rather than on ending it, which

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the system is not capable of by itself. (3) Adjustment policies unilaterally imposed on the weakest partners (the Third World and the Eastern bloc) fulfill this requirement for management of the crisis. They are not "mistakes" or aberrations produced by following an absurd ideology. The IMF did nothing to prevent the excessive borrowing of the 1970s because the rising debt was very useful as a means of managing the crisis and the overabundance of idle capital which it produced. The logic of adjustment now being carried out therefore requires that the free mobility of capital prevail, even if this should cause demand to contract because of reductions in wages and social spending, liberalization of prices and elimination of subsidies, devaluation, etc., and thus bring about a regression in the possibilities for development. The ritual statements made by these institutions which, in practice, place management of the crisis over every other consideration, the tears that they shed over the plight of the "poor," their incantations in favor of "stimulating supply," are nothing but rhetoric, and there is no reason to believe them sincere or find them credible. (4) High interest rates are not a "mistake." They are the most effective way to ensure an acceptable return for floating capital, given the insurance such capital requires against the exchange risks involved in the flexible system that has been set up. All this constitutes a coherent set of policies for managing the crisis. (5) Therefore, as I have shown elsewhere, I do not consider that "blame" attaches to the IMF. The Bretton Woods institutions were adapted to and supported the postwar boom based on the complementary three-part system mentioned above. When this system entered a crisis, the Bretton Woods system collapsed. The option chosen to deal with the situation (floating currencies, high interest rates, and liberalization of capital flows) has provided, up to now, for effective management of the crisis (from the viewpoint of capital). At the same time, it enables the United States to give its hegemony a new lease on life, by maintaining the international role of the dollar, for lack of an alternative, and by allowing the United States to

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cover its deficit by forced borrowings from its partners. This option is far from being irrational; it perfectly espouses U.S. interests by providing for the (costly) maintenance of the country's hegemonic military position. There is a striking analogy between what is happening today and what happened when Great Britain lost its dominant economic position. England ceased to be the most efficient industrial power around 1880, but the sterling standard survived throughout the country's long decline until 1931. This allows us to understand the striking and accurate analogy drawn by Walter Russell Mead between the operation of the present system, in which servicing the debt is placed above every other consideration, and the attitude of the victors at Versailles after the First World War. I believe that the analogy extends even further, and that it concerns more than attitudes toward international debt. (6) Interventions in the countries of the East are dictated by political logic. The brutality of the measures adopted is aimed at clear political objectives: to dismantle the productive structures of the countries of Eastern Europe and the former USSR in order to reincorporate them into world capitalism as subordinate peripheries, and not as equal partners; to demoralize the working classes; and to reinforce the new comprador bourgeoisie. The aim is also to dismantle these countries themselves—the USSR, Yugoslavia, Czechoslovakia—and to break the ties of economic solidarity among them. This is why, while the Marshall Plan supported the first steps toward the construction of what was to become the EEC and encouraged cooperation among the countries in Eastern Europe, Western policy has aimed to accelerate the disintegration of the former CMEA (better known as Comecon, the nickname popularized by the CIA), even if this should make the reconversion of the regional economies more difficult.

On the basis of these considerations, I do not think that the central proposal of the "reformers"—the transformation of the IMF into a world central bank—is realistic. The proposal is certainly logical. Globalization has eroded the power of national states, and logically demands a globalized manage-

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ment of economic, financial, and monetary systems. But the inference drawn from recognition of the fact of globalization, when stated in this way, is inadequate. No economy exists without politics and without a state. Therefore, economic globalization logically requires the construction of a world political system able to respond to the challenge—a power system capable of managing social compromises at the worldwide level, just as national states manage them at their level. However, sufficient maturity does not exist in the area, not even among the group of dominant capitalist countries (the OECD) or within the Europe of the EEC, and *a fortiori* not on a larger scale. It is therefore not possible, objectively, to have a universal currency and thus a world central bank. The currency and the bank imply that the political problem has been solved, which is not the case.

The proposal for a world central bank reiterates the arguments advanced by Keynes in 1945. The same reasons that made the project utopian at the time are still valid today, despite the progress of economic globalization. The NIEO and the suggested "link" between the issuance of an international currency (the SDR) and "development" were based on the same logic. The project did not lead to anything, and for good reasons. In my opinion capitalism is unable to overcome the growing contradiction between its economic management in an increasingly globalized space, and its political and social management which remain fragmented among national spaces. The alternatives are still either (worldwide) socialism or barbarism.

Nonetheless, it is necessary to respond and propose solutions. I shall be formulating some below that I believe are not utopian, because they make room for recognition of the contradiction defined above. Emerging from the perspective of the construction of a polycentric world, these proposals focus on the political and economic organization of controlled interdependencies, and the autonomy of large, unequally developed regions. Therefore, they imply regional monetary systems and their articulation. They do not put the

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cart before the horse, as is the case, in my opinion, of the project for a world central bank, or even a European central bank. The proposals that I will be making are part of the logic of a very long transition, from capitalism as it is today—with its crisis—to a world socialism that cannot be achieved all at once using a magic wand, even if the wand is the creation of a world currency.

Development funding institutions form a constellation that includes the institutions established at Bretton Woods, those established by the UN, the regional commissions, and those associated with the construction of Europe. As a group, these institutions were in their heyday during the "Bandung," from 1955 to 1975, whose strategy was the project "catching" up through modernized, autonomous national construction, carried out in interdependence. They faced a crisis when the national bourgeois project which defined Bandung crumbled, then collapsed, while at the same time the system of capital accumulation entered into a worldwide crisis.

In terms of total volume of funds managed, the World Bank leaves the rest of the group far behind, with $290 billion in transfers carried out under its authority from its inception to 1992, and a yearly volume of commitments of over $20 billion today. To this must be added some $11 billion now disbursed every year by the regional development banks. The entire United Nations system is marginal by comparison, with only $6 million worth of commitments in 1990. The UN system tried to set itself up as a "rival" of the World Bank through its own fund for agricultural development assistance created by the Food and Agricultue Organization in 1978, but it was eventually forced to capitulate.

The fact remains that from 1955 to 1975, UN institutions carried out essential political and ideological functions for the Bandung project of Third World countries. The role of the Economic Commission on Latin America and Raul Prebisch, a pioneer of what would eventually become the ideology of development, and the part played by UNCED—an important contributor to the crystallization of the NIEO project pro-

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posed by the Third World in 1975—were not negligible. The initiatives of these institutions probably did not have very much influence on the policies of the World Bank, but on the other hand they did exercise an obvious influence on the efforts of the UNDP and the specialized institutions in their heyday.

In any case, those days are gone forever, and for everyone. The ideology of development died with the Bandung project. The time has now come for recompradorization of the peripheries through structural adjustment programs. The World Bank devotes one third of its resources to what are known as sectoral adjustment programs, a necessary complement to the strategies instituted by the IMF under the wing of the G7 and the U.S. administration. And yet the history of the World Bank is closely tied to the history of the expansion of the Third World's "developmentalist" project. As we know, in the area of European reconstruction, Washington directly appropriated the Bank's role through its management of the famous Marshall Plan. Nobody knows if something similar will happen with regard to Eastern Europe, after the creation of the EBRD. It was only later that the World Bank expanded to its full stature, under MacNamara (1968-1981), while the world system was entering a crisis. The Bank's interventions have been assessed in analyses of very high quality—overall studies, sectorial analyses, case studies, etc. These works have never been produced by the Bank itself, which ignores the concept of self-criticism as a matter of principle, preferring self-praise. Occasional startling announcements ("we're going to do something new," "eradicate poverty" [sic!]), are never followed by self-critical analyses of the past or truly innovative actions. However, thanks to those critical minds who have taken the trouble to scrutinize the Bank's actions, we know that the Bank has never distanced itself from Washington's strategic decisions, or even from the sway of whatever fashion currently rules the White House.

The Bank has never seen itself as a "public institution," competing or potentially clashing with private capital (trans-

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nationals). On the contrary, it has viewed itself as an agent whose task is to support their penetration of the Third World. The projects that it has helped fund have opened large markets to equipment suppliers. The greatest opacity prevails in this area, but these markets are known to have been not only important for transnationals, but particularly juicy. The costs of the Bank's operations have always been significantly higher than those of similar operations conducted by national authorities or by multilateral or bilateral aid agencies (particularly those of the Eastern bloc countries)—as evidenced by the example of the Aswan dam, which was completed with Soviet assistance at a far lower cost than the Bank's "forecasts." With cost overruns such as these, the advantages of loans at concessionary rates are not impressive.

The Bank's interventions were directly articulated with those of transnationals in the mining sector. The Bank provided a form of insurance against the risk of nationalization, and gave indirect subsidies to mining companies by taking charge of infrastructure projects (roads, electrification, mining railways, ports). In agriculture, the Bank has focused on destroying the autonomy of the peasant world, breaking the subsistence economy by supporting forms of credit designed to this end, and promoting the differentiation of the rural world through the famous "green revolution." In other areas, the Bank has fulfilled equally important functions in order to reinforce the dependent integration of Third World economies. It has systematically promoted the use of roads (as opposed to railways), opening the market to oil exports and promoting oil dependency (which aggravates the trade deficit of many countries). It has promoted the exploitation of forests for exportation, no matter how scandalous the damage to ecology, or the devastation of the country and its future. On the other hand, the Bank has been consistent in that it has contributed very little to industrialization—even to the industrialization of countries such as South Korea, which it now praises and whose achievements were produced by going

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against its "precepts" (opening industry to foreign capital, avoiding subsidies, etc.).

Of course, the Bank's global strategy, overtly associated with the strategy of capital now dominating the world, has never been concerned—either before or after 1980—with the condition of the "poor," as they are called today. Nor has it been concerned with the environment, whatever its rhetoric on the subject. The systematic destruction of communal lands which it has always supported, along with deforestation, have been carried out at the expense of ecological balance and the welfare of the majority of popular classes. Moreover, the Bank, while pretending to be "apolitical," has always shown a preference for the regimes most aligned with Washington and its allies—Mobutu, Marcos, Pinochet, Suharto, or the Tontons Macoutes—without being greatly bothered by the question of democracy, or by issues such as the corruption and ineffectiveness of many of its interventions under these conditions.

During a certain period of its history, the Bank had the ideological function of counteracting the "ideology of planning" by providing a counter-ideology based on "project analysis." The theory was not very strong. The use of "shadow prices" made very little sense: they could influence decisions only if they were accompanied by price controls and subsidies, which contradicted the dogma they support. And, in fact, the "zero" shadow price assigned to unskilled labor was used as a pretext to justify low-wage policies—in other words, to generate poverty instead of fighting it.

At the same time, the Bank has also carried out "academic" stylistic exercises, which, taken as a whole, are not worth much because they are always aimed at legitimizing the strategies of dominant capital. One example will suffice. In a book on the Ivory Coast written in 1965, I predicted "blocking" of the system, and external indebtedness, by the year 1985. The Bank, which, of course, supported the neocolonial strategy for the Ivory Coast, found it necessary to reply with a study costing at least fifty times more than mine, and whose perusal, today, ought to make anyone laugh.

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All of the "development funding" institutions under consideration here, as well as the bilateral aid funds which in fact are much more important, have constituted only a fraction—not negligible, but certainly minor—of the capital market, even if we restrict ourselves to capital channeled toward the Third World. This market can be subdivided into two distinct categories: the market of capital seeking investment in productive activities (mining, oil and energy, agriculture, industry, transportation and communications, construction, hotels, tourism, and other services), and the market of floating capital seeking short-term financial investment.

The first of these markets has not been negligible for U.S., Japanese, and to a lesser extent European capital, particularly during the 1970s, when "relocation" was in full force. Europe, however, preferred to invest its wealth in the regions that were lagging behind on its own margins (Italy, Spain, etc.), rather than in areas of direct dependence. This explains, as I have noted elsewhere, the specific role played by the Lomé convention (the EEC-ACP association) in shaping the development of sub-Saharan Africa. By the support given to traditional primary exports (agriculture and mining), and its prejudice against industrialization, this convention carries a significant share of the responsibility for the African disaster and the continent's subsequent marginalization and Fourth Worldization.

The market of floating capital, which has dwarfed the first market since the 1970s, has only a marginal interest for the Third World, although it should be noted that a major fraction of the capital accumulated in many areas of the Third World (Latin America, Africa, and the Middle East) is collected by this market, thanks to the liberalization and globalization of financial and banking systems (which East and South East Asia, and India, are trying to resist). On the other hand, most of this capital seeks investment by roaming from one financial metropolis to another, only rarely paying a visit to Third World financial systems. Things may be changing in this area for a few Third World countries that might once

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again be attractive to capital. The World Bank and others emphasize this fact, without mentioning that most of the "capital inflows" in question take the form of financial investments and do not seek investment in production (this is the case for some Latin American countries). The fragility of the external balance attained under these conditions prohibits us from seeking this movement as the starting-point for "sustainable development."

GATT, the regulator of trade, provides the third dimension of the system of regulation. The principles on which GATT is based are those of openness and free trade: to promote multilateral (rather than bilateral) exchanges, to forbid discrimination in favor of national producers while also forbidding aggressive behavior on the part of exporters (dumping), to reduce tariffs, and prohibit other forms of quantitative restriction (overt forms such as quotas, and unfair practices concealed by unfounded health or administrative regulations).

Supporters of GATT base their arguments on the simple, yet erroneous idea that free trade favors the expansion of trade and that this expansion, in turn, favors growth. History fails to demonstrate the truth of these propositions. The expansion of trade—particularly during the postwar period—has been a consequence, rather than a cause, of the strong growth of the period (essentially derived from the subsystems of the three-part system considered above). This expansion was very rapid during the first years of the postwar period, despite high tariffs and other forms of protection. The subsequent crisis of the system led to a regression of world trade: the growth rate of trade fell from 7 percent throughout the 1970s to 4 percent during the 1980s, in spite of lower tariffs and liberalization measures. Generally speaking, real history does not at all demonstrate the existence of a correlation between free trade and commercial expansion (the latter being a consequence of the former, and not the reverse), and not between periods of growth and protectionism or free trade on the part of regimes. This being said, it is true that

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growth encourages free trade policies whereas protectionism is often a reaction to crisis.

Advocates of free trade buttress their case by appealing to the famous theorem of neo-liberal economics according to which the losses incurred by consumers as a result of tariffs are greater than the sum of the gains realized by protected producers and by the state which collects the duties. Quotas are supposed to be even worse, since they deprive the state of import duties. This "demonstration," which of course implies an unreal world of perfect competition, is based, moreover, on a static analysis. History shows that the gains brought about by increases in productivity are greatly superior to those that can be obtained through "competitive advantage" in the best of cases. History also shows that relative prices are not determined by the "market," but by the social conditions, beyond supply and demand, in which production operates. It follows that global polarization necessarily leads to, and expresses itself through, deterioration of the double factorial terms of trade, to the detriment of the peripheries, in the sense that there is more inequality in the distribution of labor remuneration than in the distribution of productivity. I would even argue that this phenomenon, intrinsic to polarized global capitalist expansion, is characteristic not only of past trade (exchanges of manufactured products from the center for primary products from the periphery), but also of future trade between industrialized peripheries which export manufactured goods, and centers exercising their "five monopolies."

Third World governments tend to defend the basic principles of free trade. Their reasons are easily understood: for those countries that have entered into the industrial era, access to northern markets is both possible (they are competitive) and vital (to pay for their imports of technology, etc); as for the countries of the Fourth World that are still exporting primary products, they have nothing to lose and may possibly gain. This short-term vision characteristic of comprador bourgeoisie of the periphery always overrides long-term considerations, which have never found an echo anywhere but in the

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radical wing of national liberation movements (what is known as the socialist wing).

But although Third World governments defend the principles of liberalism, they do so because they know that despite the rhetoric of GATT, actual practice is not in line with these principles—far from it.

In fact, a true program of authentic liberalism on a world scale was embodied in the program put forth by the Group of 77 and the Non-Aligned Movement in 1975 under the name of NIEO. This program included the following points: (1) Opening northern markets to southern industrial exports (the North replied by excluding textiles from the rules of GATT). (2) Improving the terms of trade for tropical agricultural products and mining products. (This would be a good way to protect the environment, but GATT has remained silent on the topic.) (3) Providing better access to international financing (GATT replied to this by liberalized banking rules that made it easier to transfer capital from the South to the North). (4) Creating more normal conditions for technology transfers. (GATTs reply was to reinforce monopolies in the name of so-called "intellectual" property.) As we know, the NIEO project was more or less unanimously rejected by the North.

Meanwhile, we have GATT. The first negotiating sessions—the Kennedy Round, then the Tokyo Round ending in 1979—were devoted almost exclusively to the progressive reduction of tariffs. At the beginning of the period (1945-1947) these were admittedly still almost prohibitive: 40 percent for the average European tariff (which was fairly equally distributed) and about the same for the U.S. tariff (which displayed a jagged outline, because it was differentiated to ensure quasi-absolute protection for threatened sectors). As I have said, these "prohibitive" tariffs did not seriously restrict the expansion of trade, which was occurring at an average yearly rate of 6.1 percent—as against 4.3 percent for the GDP—from 1953 to 1963.

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During the Uruguay Round (which ended just recently, in December 1993), Western powers pursued common objectives, while attempting at the same time to reconcile some of their differences. It is important to say it clearly: the common denominator for all of the Western powers, throughout this affair, has been a marked hostility toward the Third World. The true objective of the Uruguay Round is to block the competitiveness of the industrialized Third World, even at the expense of the holy principles of liberalism, and thus to reinforce the "five monopolies" of the dominant centers. In this area, as in every other area and at every other time, the double standard prevails. I would offer as evidence the following observations: (1) Trade regulated by GATT represents only 7 percent of world trade. Significant exclusions are textiles (this "temporary" exclusion, under the Multifiber Agreement, has now been in place for twenty-five years!), agricultural products (including tropical oils that compete with the oils of temperate countries), mining products, etc. To offset this, developing countries are allowed reciprocally to grant each other certain preferences—a truly insignificant concession. (2) An attack is being carried out on the means employed by Third World countries wanting to compel transnationals operating on their territories to abide by the rules of competition and to sustain national development: clauses requiring a minimal national content in production, minimal exports, etc. When transnationals are looking not for competition (through exports) but reinforcement of their monopoly position in the local market, suddenly GATT is there to help them out. The logic of the famous TRIM inserted in the Uruguay Round is precisely this. (3) With TRIP, an offensive has been launched not to reinforce competition, but on the contrary, to strengthen the power of technological monopolies—at the expense, of course, of developing countries for whom the possibility of acquiring the technology they need in order to progress becomes even more uncertain. Will the "trade secrets" that GATT wants to include under this category bring us back to the mercantilistic monopoly practices of 300

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years ago? Even the language used to discuss the topic is not neutral. We no longer speak of knowledge as the common property of humanity, but rather of "piracy" when someone tries to acquire it! This policy sometimes verges on the obscene: GATT, for instance, wants to forbid Third World manufacture of inexpensive pharmaceutical products, which are literally of vital importance, in order to protect the massive profits of monopolies in this sector. (4) While the dominant media are busy denouncing corruption, GATT wants to prohibit Third World countries from employing inspectors to monitor the prices charged by Western exporters—prices which provide an ideal opportunity for corruption and tax evasion through illegal transfers of capital. (5) The offensive in favor of opening markets to the activities of Western banks and insurance companies is intended to accelerate the transfer of capital from South to North. Asia is opposed to this. How long will it be able to resist?

GATT's claim to defend "fair competition" is far from justified. It is, in fact, an organization entirely subservient to the transnationals. As we know, it is the most opaque institution imaginable, meeting in secret in the shadow of the international Chamber of Commerce (the club of the biggest transnationals). Not surprisingly, then, GATT is utterly oblivious to issues of "sustainable development," which are confined to debates in other forums. It is equally oblivious to the environment, protesting, at the expense of the future, against any regulation of the mining industry. The deregulation recommended by GATT is simply intended to benefit transnational monopolies by reducing to zero the space in which states (and particularly Third World states) can exercise management.

Compared with GATT's common front against the Third World, divergences between major Western powers within GATT, when restored to their true perspective, do not have the importance attributed to them by the dominant media (which have remained silent on other issues). Many of these conflicts, indeed, are settled by "amicable arrange-

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ments" between competing monopolists who practice market-sharing or "voluntary restrictions" of exports, in flat contradiction to the dogma of liberalism. However, other conflicts have provided the United States with opportunities to express its arrogance openly: (1) The conflict between the United States, the EEC, and Japan over agricultural subsidies (covered by what is known as the Blair House agreement) is the best known. It is a fact that the countries of the EEC are now self-sufficient in food, and have even become food exporters, by "delinking" their prices from those of the world market—a practice forbidden to Third World countries by the EEC. It is equally true that Japan (and Korea) would like to maintain their food self-sufficiency by protecting their rice producers. However, U.S. subsidies to agriculture existed long before the Common Agricultural Policy of the EEC. (2) Conflicts over what are referred to as "subsidized" sectors, such as aeronautics, focus on overt subsidies given to civil aviation, while ignoring the mammoth disguised subsidies through which military programs support the U.S. aeronautics industry. (3) In the area of technology, the United States always reserves the right to protect its own for reasons of "security," but it always requires that other countries be open to its technological spying. Resistance in this area is deemed "unacceptable," and gives rise to U.S. threats of reprisal under the famous Super 301 and 301 special clauses.

However, since GATT directly represents transnationals and not states, conflicts in these areas do not oppose states as much as they appear to. In most cases "opinion" is divided within each country aligned behind the particular interests that support or oppose the conflicting positions within GATT.

Globalization

The globalization of the capitalist system is certainly nothing new, but it has undeniably taken a qualitative step forward during the most recent period. Moreover, this deepening economic interdependence between nations occurs at

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a time when there is a crisis of accumulation, and the postwar boom has given way to stagnation. This new situation has been met by a response shaped by the dominant interests of capital. Will this response be sustained? Will it allow the crisis to be managed correctly, that is, without aggravating the dangers of chaos and collapse? Will it go further and prepare the ground for a resumption of growth?

Criticism of the policies carried out by the Bretton Woods institutions cannot be separated from the answers given to these questions. In the same way, the proposals for alternative solutions to replace these policies cannot be separated from the overall social and political perspective in which the vision of "actually existing capitalism" is located.

The advance of globalization has not been confined to trade. (A considerable part—approximately one third—of the industrial and agricultural output of the advanced capitalist countries is now exchanged on the world market.) It also affects productive systems (autocentric national systems are progressively dismantled to be reconstituted as part of an integrated global productive system), technology (specific national technologies make way for universal technologies), financial markets, and many other aspects of social life. A simultaneous phenomenon is the integration of Third World countries that have embarked on industrialization. (I attribute this transformation to the victory of national liberation movements after the Second World War and the support provided to the "Bandung front" by the Eastern bloc countries, and not at all to the "logic of capitalist expansion" modifying the terms of the international division of labor and eroding the "classic" forms of the center-periphery polarization to begin replacing these soon-to-be-obsolete forms with the "five monopolies" mentioned above.

Of course, by definition, the new globalization erodes the efficiency of economic management by national states. However, it does not abolish their existence. Thus, it produces a new contradiction which, in my opinion, is insurmountable under capitalism. The reason for this is that capitalism is more

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than just an economic system; its economy is inconceivable without a social and political dimension, which implies a state. Until recently, the expansion of capitalism was founded on the coincidence between the space in which the reproduction of accumulation was determined and the space of its political and social management: the space of the central national state shaped the structure of the international system. Now, however, we have entered a new era characterized by a separation between the globalized space of capitalism's economic management and the national spaces of its political and social management.

Under these conditions, the logic of the interests of dominant capital would require that priority be given to globalized economic management, at the expense of the functions of the national state. This logic is displayed in the full-scale anti-state discourse of the dominant media calling for elimination of the state's social interventions, massive privatization, etc. These fallacious arguments are easily refuted. Privatization of social services is expensive and inefficient; health care in the United States, for example, costs twice as much as in Europe, and is of inferior quality. However, it is highly profitable (to U.S. insurance companies). Privatization replaces public bureaucracies, which might be subject to some form of democratic control, with irresponsible and opaque private bureaucracies. In most Third World countries, the public sector has not only carried out pioneering tasks which were beyond the capacity of the local or foreign private sector, but in some cases, through the substitution of public monopolies for private ones, helped finance accumulation, correct income distribution, etc. Of course, the social content of nationalization under the Bandung bourgeois national project determined the limits of this nationalization. The income produced was channeled in the first place toward the expansion of the new middle classes rather than the popular classes, and management was sometimes deficient, either for objective reasons (lack of the resources necessary to carry out modernization in time), political and social reasons (the

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deficit of the public sector financed the expansion of a parasitical private sector), or reasons of political management (extending to corruption). But private capitalism is certainly not any better, socially speaking, and is not even assuredly more efficient. (Studies have shown that public sector profitability in the major industrialized countries of Asia and Latin America was higher, on the average, than the profitability of comparable private sectors in the West.) In fact, then, the attack against the state contradicts the rhetoric being produced at the same time in favor of democracy, transparency, and efficiency. Unfortunately, a great many NGOs have adopted this position, contributing to the anti-state discourse, without realizing that the results of capital's offensive in this area are always catastrophic for the popular classes.

It has rarely been noted that privatization plays an interesting part in management of the crisis, providing outlets for the excess capital characteristic of the crisis. In my opinion, this is one of the major reasons for the operation. But at what price? Capital thus invested contributes nothing to the development of the productive system (and thus fails to reduce unemployment). Returns obtained by capital under these conditions aggravate inequality in the state's subsequent capacity to intervene so as to palliate the negative effects of globalization.

The project of reducing management of the system to regulation by the world market is, therefore, truly utopian. As Kostas Vergopoulos has pointed out, national coherence is regressing, but it is not being replaced by worldwide coherence, which remains elusive. This is not surprising, for such coherence would require a world state, or, at least, a political system as effective at the global level as the national state has been at its level. International economic institutions do not fill the void. As we have seen, they are merely the instruments of capital's management of the market. The UN, now devalued, is not progressing toward the construction of a world political system; on the contrary, it is losing ground in this area. Recognizing this failure, Vergopoulos expresses some

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justified reservations about the reality of "globalization." He observes that despite the globalization of markets, national macro-economic structures are still highly important determinants. "Competition" between firms is in fact competition between national units. He writes: "Globalized firms do exist, but national economic systems are not globalized yet." Under these conditions, globalization increases disparities and incoherences. Therefore, it remains fragile. The system under these conditions may be brought to a point where it explodes, or it may evolve toward competitive regionalization, as we will see below.

Globalization proceeds against a backdrop of stagnation. Is it the cause of this stagnation? I would provide an answer formulated in dialectical and discriminating terms: stagnation is not a direct product of globalization, but capitalistic globalization is responsible for the erosion of the three subsystems that formed the basis of postwar growth (national welfare state in the West, national bourgeois project of Bandung in the Third World, Sovietism in the East bloc). Furthermore, stagnation is perpetuated and aggravated by the policies employed by dominant capital to manage the crisis.

Stagnation (which has now characterized the system for twenty-five years!) naturally gives rise to a gigantic surplus of capital which finds no outlet in productive investment. Under these conditions, the response of dominant capital to the situation is perfectly logical: priority is given to the management of this mass of floating capital. This management requires maximum worldwide financial openness and high interest rates. At the same time, the system allows the United States to maintain its negative position as it finances its deficit by draining the mass of floating capital; this is the only way for it to maintain its hegemony (by imposing the dollar as the international currency by default, and by sustaining an extremely high level of military spending). On the other hand, the system undoubtedly has the following flaws: (1) It fails to provide stable exchange rates, even between the major currencies (dollar, yen, mark, and, as a secondary consideration,

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pound and franc), thus distorting the rules of international competition. (2) It leads to a spiral of worldwide stagnation, making unemployment a permanent feature of Western societies. (3) It blocks the possibility of pursuing the development of many peripheral regions. As far as the first of these "flaws" is concerned, the major decisional centers (particularly the G7) are looking for ways to correct it or adjust to it. However, the stagnation and devastation caused by crisis management policies, embodied in the other two points, are not really an object of concern for dominant capital. Unemployment is a problem for the jobless, not for capitalists. And if unemployment is needed to maintain capital profitability, then long live unemployment! Nor is development of the periphery a goal of capital's strategies. These strategies involve adapting to—i.e., profiting by, in the most literal sense—the growth or stagnation of peripheries. And since there are no attractive investments in this situation, dominant capital finds its profit in managing the Third World debt. Finding a "solution" to the problem is not on the agenda, simply because this is not in capital's interest.

We may now return to the assessment of strategies conducted before the crisis. Beginning in 1945, the welfare state, which until then existed only in embryonic form, was systematically supported, not particularly by the Bretton Woods institutions (their role here was more than modest), but by the states, that is, the political systems of the Western powers. Was this because the light of Keynsianism had finally illuminated their darkness? Was it because dominant capital had converted to the utility of the social sphere? Not at all. It was because the "threat" of communism existed at this time. Hegemonic political blocs in the West had to rise to the challenge, and they did so. In the same way, "development" in the Third World was not produced by the conversion of Western elites to anticolonialism: it was imposed by the success of national liberation movements, movements which benefitted from the support of the Eastern bloc countries. The disintegration of Sovietism (the last element of our three-

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part system) modified social relations, in the West and in the Third World, to the benefit of dominant capital. Capital swiftly reverted to its original nature, seizing the opportunity to break the workers' movements in the West (through unemployment) and the national liberation movement in the Third World (by dismantling "development" and instituting recompradorization). The discourse of the powerful bemoaning unemployment and "poverty"—as if these phenomena were not the result of their policies—is pure hypocrisy.

International economic institutions do not bear direct, primary responsibility for this state of affairs. They are merely instruments. Yesterday, they were set to serve the postwar boom in Europe and Japan (by guaranteeing exchange rate stability while in-depth actions were undertaken as part of the Marshall Plan and European construction), and development in the Third World (by making it swerve to the right, which led it to become exhausted more quickly). Today they are ready to serve the system adopted to manage the crisis.

The internationalization of banks plays an important part in the analysis of crisis management that I am suggesting. This internationalization of transnationals, which were enlarging their autonomy at the expense of banks through the expansion of their globalized financial activities. But floating exchange rates and the continuous growth of the mass of free capital provided banks with the opportunity for fruitful participation in the financial speculation to manage the crisis. At the same time, the internationalization of banks (and insurance companies) allowed the savings of the South to be drained by the North's speculative financial market. Of course, all of this may be judged scandalous, and there is every reason to assert and reassert that private capital cannot replace central banks in their role, thus annihilating that role, and that these functions must be public. But however scandalous these practices may be, they are not absurd.

We have been living with floating exchange rates for over twenty years now. This experience completely disproves the "theoretical" neoclassical discourse that was developed to

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legitimize its establishment. Experience shows that there is no "natural" equilibrium of exchange rates, but that rates determine structural adjustments which are always, or nearly always, asymmetrical, and which either work or fail to work. Supposedly automatic capital flows which offset balance of payments imbalances, and are chiefly made up of major flows of productive investment, exist only in the imagination of university professors. On the contrary, speculative flows—which constitute the majority—confer on exchange rates a volatility which robs them of all rationality. Not only does this volatility lead to grave macro-economic disorders (destruction of the productive base in the case of overvaluation, parasitical development of export activities that are unsustainable in the long term in the case of undervaluation), but it also perpetuates micro-economic inefficiencies. When the value of the dollar in relation to other currencies has doubled or halved, each time within the space of a few months, what economic calculation—except the speculative type—can be made on this basis? How can tariffs be effective when facing the relative price variations determined by such fluctuations in the exchange rate?

Nevertheless, floating exchange rates permit massive growth of the "need for liquidities," thus providing an outlet for idle capital generated by the crisis. According to the "theory," floating exchange rates were supposed to release central banks from the problem of having to manage reserves in whatever constituted the international standard. The theory forgot that insecurity provoked by the volatility of exchange rates would force all agents operating in external markets to constitute significant private reserves to deal with unpredictable fluctuations. As a consequence, these reserve liquidities had to be provided with earnings—hence the necessity for high interest rates.

In this way, floating exchange rates also bear part of the responsibility for persisting stagnation. Concern for equilibrium of the balance of payments, which is permanently threatened by speculative capital movements, leads to the

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ascendancy of a logic that systematically gives priority to anti-inflation policies and exports, even if this obviously requires a contraction of internal demand. Perverse competition, and a generalized deflationist spiral, are the outcome. The G7 has repeatedly attempted to put some order in the exchange rates of the dollar, yen, and mark. In view of current reality, we can only say that it has not been very successful.

And yet, relative stability of exchange rates has been achieved within the European community. The reason is that the EEC's internal structural complementarities allow a certain harmonization of the remuneration of production factors, which is reinforced by flows of productive investments (from the European centers to its peripheries). The EEC also represents a zone of political security and solidarity, and as such can offer its members a certain monetary stability in their mutual relationships. However, this stability is fragile, precisely because the same system cannot be extended to Europe, the United States, and Japan as a whole. A conflict of mercantile interests, which is not tempered at this level by group solidarities, thus threatens the European partners, but it threatens each of them to a specific and different degree. Europe could only answer this challenge by withdrawing more into itself. Attitudes toward this option diverge, since "strong" countries (Germany) necessarily differ from the others in preferring openness.

Under the system adopted to manage the crisis, the United States is still allowed not to worry about its deficit. This deficit is large enough to absorb all of the surpluses of the other developed regions (for the 1980-1989 decade the U.S. deficit was $931 billion, while surpluses stood at $533 billion for Japan, $396 billion for Germany, and $103 billion for the tigers of eastern Asia), and it has drained the international market of capital that would otherwise have been available for other regions of the world. Under these conditions, the hegemony of the United States may certainly be described as a "false hegemony." Great Britain, the hegemonic power in the nineteenth century, had a structural surplus: 50 percent of its

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gross capital formation was invested abroad between 1870 and 1914, thus providing for the structural adjustment of others. This is not at all the case of the United States today; on the contrary, the country's deficit makes structural adjustment impossible for it.

Thus, the system is satisfied with unilateral structural adjustment on the part of the weakest partners (the Third World), at the expense of their development. At the same time, as part of the array of measures implemented to this effect, systematically undervalued exchange rates are imposed on Third World countries. Having finally discovered this obvious fact, which ensures that the rhetoric on the "truth of prices" supposedly revealed by the market is completely meaningless, the IMF has undertaken to revise the estimated GDP of these countries upward, recalculating it on the basis of fictional exchange rates based on equality of purchasing power. This measure is purely symbolic and even demagogic, since decisions are not made on the basis of these fictional rates but on the basis of real rates, which the IMF, of course, does not intend to revise. In extreme cases—but these are becoming more and more numerous—the monetary aspect of the imposed adjustment leads to "dollarization." Not only as a reserve instrument, but even as a unit of measurement and an exchange medium, the national currency gives way to the dollar, of which imports are financed by external borrowing. The cycle is now complete, the crisis management system having succeeded in providing a new outlet for floating capital in search of investment.

The G7 was constituted to coordinate management of the crisis at the level of the major capitalist powers. We have already mentioned the fact that it has met with very limited success in the area of exchange stabilization. As manager of the crisis, the G7 is "a world executive with no overall project for the world," as Gustave Massiah writes. It was content to set up the principles of unilateral adjustment by the periphery in 1976, to organize the recycling of oil dollars in 1980 to the benefit of the speculative financial sphere and then to encour-

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age the fall in the prices of raw materials (the major reason for the Gulf War), to organize the rescheduling of the debt in 1982 (but not to create the conditions that would solve the problem), and in 1992 to include Russia and the countries of Eastern Europe in strategies of unilateral adjustment.

So the strategy is truly intended to manage the crisis rather than look for ways to resolve it. In this context, even the existence of the debt is perfectly functional, and to solve this problem would in fact be counterproductive from the system's point of view. This is why all of the measures taken—measures which are sometimes presented, demagogically, as "solutions"—have merely made the situation worse. The debt grew from $900 billion in 1982 to $1,500 trillion, of which half was expended on interest.

Is this type of management strong enough to last? In my opinion, this is the real question. The argument that it cannot last because it does not provide a way out of the tunnel of stagnation is not valid, because the goal is not to get out of the crisis but to manage it. If we confine ourselves to the analysis of economic and financial mechanisms, I would say that this management can indeed be pursued "successfully," maintaining the world in a state of stagnation. For countries at the periphery, this stagnation leads to a grave regressive involution of which the Fourth Worldization of Africa is simply the most extreme example. Crisis management seeks to encourage exports from each country of the center (thus exacerbating trade conflicts between these countries), to deprive Third World countries of the same possibility (by halting industrial relocation in order to lessen the growth of unemployment at the center). Here again, one is reminded of the order established at Versailles in 1919: make Germany pay, but don't let it export goods! In another striking analogy documented in Walter Russell Mead's study, police forces are busy hunting down new emigrants created by regression in the Third World. Finally, crisis management is a strategy that will exacerbate conflicts between developed countries (not only between the United States, Japan, and the EEC, but even within

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the EEC itself, whose existence is threatened), and that leads developed countries to consider no other means than force (and war) in their relations with the Third World. For this reason, U.S. (military) hegemony remains indispensable, obliging European and Japanese partners to make the concessions required by the United States, and thus turning their conflicts back into the EEC. Will the "regionalizations" brought about by the dynamic of these conflicts, almost spontaneously (but inasmuch as they are sustained by adequate options) become the system's natural "way out" of an impossible globalization? There are indeed indicators pointing in this direction: the creation of NAFTA in North America (but as I *have written elsewhere, NAFTA breaks Mexico in two by* separating its "Texan" north from its "Guatemalan" south, as the Chiapas revolt has just confirmed, increasing the fragility of Washington's project, which is supported by the Mexican comprador bourgeoisie); the fact that the EEC already carries out two thirds of its trade through its internal exchange, and that this internal exchange is increasing, while the community's exports to the outside world have been regressing since 1985 (but will this last?); the fact that—even without any formal common institution—the countries of eastern Asia (Japan, Korea, China, Southeast Asia) carry out two thirds of their trade through internal exchange (but the United States is exerting very strong pressure to break these complementarities; this is the most important reason for the United States' pursuit of growth in this part of the world, and the project of an "Asia-Pacific zone" evoked by Clinton in Seattle is part of the same intention).

Thus, if the system adopted to manage the crisis cannot survive in the long term, this is due not to the "absurdity" if its underlying economic and monetary policies, but to the aggravation of social and political conflicts which it cannot avoid. Here we return to the thesis I am defending: the idea that management through the "market" is utopian, that the real management of capitalism requires "market plus state," that the conflict between globalized economic space and the frag-

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mentation of spaces for political and social management is unbearable, and that it must lead to a renewal of nationalisms and social struggles which will challenge the utopian globalization pursued during the crisis.

But will this challenge lead to an even more marked general regression or to a new general period of economic growth? I believe that discussion of the alternatives to the current system should focus on this question.

Reforming Bretton Woods

It is not possible to review all of the proposals put forth in recent years for reform of the Bretton Woods institutions. They are too numerous, and moreover, they are derived from theoretical and political perspectives that are extremely diverse. I will, therefore, confine myself to a small sample of proposals made from a resolutely progressive point of view—i.e., they start from the objective of a renewed development throughout the world, and especially in the Third World; they give this development a popular content (elimination of poverty, expansion of social services, reduction of inequalities); and they allow unity to be reestablished between the economic and the political sphere (which means, among other things, allowing democracy to take root among peoples).

I certainly have a great deal of sympathy for these proposals—not only for the general spirit animating the solutions advanced, but even, in many cases, for the detail of the reforms suggested at three levels of necessary action, the local, national, and global levels. To support transformations of attitudes and organization of responsibilities at the base, to enable people at this level to become genuine agents of economic initiative and thus create a link between the economic sphere and political, social, and cultural life, to free them from the status which capitalism confers on them by reducing workers to their labor-power and citizens to consumers—these are, without a doubt, essential conditions for a better development. However, struggles carried on in this

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perspective must be supported by adequate policies at the national, regional, and world levels. At the national level, which in my view remains the crucial link simply because of the existence of a political organization that we will be experiencing for a long time yet, what I call "delinking"—i.e., not autarky, but the subordination of outside relations to the logic of internal development and not the reverse—is unavoidable. It remains necessary to define its exact contours, and this can only be done on the concrete basis of situations that vary greatly from one country to another. It is therefore a matter of "forcing" the world system to adapt: not only of imposing a vision of "adjustment" within stagnation, but also of replacing the concept of unilateral adjustment (adjustment of the weakest to the strongest) by the concept of mutual adjustment. These national policies in turn would require, to be sufficiently effective, not only the reconstruction of solidarity and mutual support between countries at the periphery (particularly through the construction of regional unions), but also, most probably, transformations in the economic and political organization of the world system.

In this last era, there is no lack of ideas. The most radical proposals call for a return to Keynsianism, this time on a world scale—a redistribution of income to the benefit of Third World peoples and workers in every region of the world (a megaeconomic stimulation, as Walter Mead says). According to their advocates, these proposals imply major reforms affecting the international economic institutions: (1) The transformation of the IMF into a genuine world central bank with the power of issuing a real currency (similar to the SDRs) that would replace the dollar standard, ensure a certain stability of exchange rates, and provide developing countries with the liquidities needed for "adjustment within growth" (these proposals resemble those made by UNCED some twenty years ago to create a "link" between issuance of an international currency and the needs of developing countries). (2) The transformation of the World Bank into a fund that would collect surpluses (from countries such as Japan and Germany) and

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lend them not to the United States, but to the Third World. This operation, intended to trigger growth in developing countries, would simultaneously force the United States to reduce its deficit. It is hoped that this reduction would not be obtained through U.S. neoprotectionism associated with an aggressive exports policy. But how else would it happen? (3) The creation of a genuine international trade organization (ITO). In this area, in general, the principle of free trade as advocated by GATT is not questioned. The ITO might even be bolder than GATT, which is always forced to maneuver in a context of compromise, and might succeed in imposing out-and-out multilateralism. As a counterpart to the benefits that developing countries would receive from the genuine opening of northern markets, they would be asked to make concessions (of the TRIM and TRIP type) in the area of services. The experience of the EEC, which has actually succeeded in liberalizing and multilateralizing intra-European trade while excluding unbridled competition (by imposing standards of respect for the environment, social protection, etc.), is often mentioned in this respect. It is also argued that the ITO would temper the negative aspects of the creation of regional units (EEC, NAFTA, etc.) by preventing them from becoming "fortresses," protected within and aggressive without. The ITO would have other objectives such as the stabilization (or revalorization) of raw materials. (4) Consideration of environmental issues might become an internalized feature of the World Bank's loan system. One might take this even further by setting up a world tax on energy, non-renewable resources, etc., that would increase the resources available to the Bank (or the fund that would take its place), allowing it to subsidize respect for environmental concerns in poor countries. (5) Reform of the economic institutions would be accompanied by a heightened political role for the United Nations. Development having been revived by the means we have described, the project of making it the basis for the progress of political and social democracy could become more than a pious wish. Development aid, multilateralized

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within this framework, might not only be conditional on respect for individual rights and political democracy, but also support progressive social policies (making sure that wage increases parallel increases in productivity, providing for a more equal distribution of income, etc.). In the same way, the national political dimension of globalized development, coordinated in this way, would allow for the respect of legitimate interests. For example, food self-sufficiency (Walter Mead has studied the case of Japan's protection of its rice producers) would be accepted, but it would be offset by a "tax" paid to the world community by the country benefitting from the protectionist measures. The tax would be collected by a world development fund which would be the major lending institution for Third World countries.

In my opinion, this is a very fine project for reform of the world economic and political system. It proceeds from a central idea that strikes me as incontrovertible—the idea that development can only be revived by a redistribution of income both at the global level (in favor of peripheries) and at the social level (within centers and peripheries, in favor of workers and the popular classes), and that world trade and capital movements must be subordinated to the logic of this "demand-side approach to trade," as Walter Mead calls it.

Yet it must be recognized that reforms of this scope clash with the interests of dominant capital, because redistribution reduces profit margins in the short term, even though, in the longer term, it produces more than recovery—a genuine period of new growth that might open perspectives for profitable productive investments. For capitalism is a system based on giving priority to short-term considerations, which dictate the decisions of capital, over long-term requirements which, in case of necessity, must be imposed by state intervention. I have already said that it was the fear of "communism" and the radicalization of the national liberation movements of the peripheries that gave rise to their Keynesian policies and development support of the postwar period.

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The project is thus a kind of rediscovery of the fact that a different social order—socialism, to call it by its name—is objectively necessary and must be worldwide. It strikes me as evident that the deployment of this project demands deep political changes in every part of the world, the replacement of existing hegemonic social alliances (based on the domination of comprador capitalism in the peripheries of the South and now the East) with different social alliances, based on the hegemony of labor and the popular classes. This is the only way in which it is possible to establish the dominance of use values over exchange values, and the integration of long-term requirements (the environment). At the same time, the project requires a different world political order from the one that currently prevails, order based on the democratization of all societies and the articulation of their interdependence with mutual respect for diversity.

Advances in these directions are necessary and possible. But I use the word advances advisedly, for realization of the project as a whole is a long-term affair—the secular "transition" from globalized capitalism to world socialism. Along with the ideological combat that must be fought over the vision of the "ultimate" objective (as it is conceived, for example, in the project we have described), strategies must also be defined for each step of the way.

Returning to the project, therefore, I have made it the object of a constructive critique which can be summarized in the following points: (1) Many of the analyses underlying the reformist arguments are too much inclined to mix value judgments (the current system is "bad") with explanations of the reasons motivating the decisions of the dominant powers. As I have said, the "crisis management system" that has been implemented is not absurd: it obeys the logic of dominant interests. Along with Sweezy and Magdoff, I believe that globalization as it is practiced today is not a force imposing itself on humanity from the outside, but fulfills goals that are those of capital. (2) I do not believe that transforming the IMF into a world central bank, and the World Bank into a fund for

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development, ought to be the objectives for the immediate future in this long transition to world socialism. Before reaching this point, it is necessary to construct a polycentric world on both the economic and the political levels; I have written elsewhere on some of the guiding principles of such a world. To believe it is possible to go any faster is to imagine that the basic political problem is solved—that the contradiction between economic globalization and the fragmentation of political spaces is already surmounted. But this can only occur at the end of a long transition; it cannot be a condition for undertaking reforms. I am afraid that by setting the bar too high we are condemning ourselves to failure, and in so doing, there is a risk that we will encourage despair and the spread of the "TINA syndrome" ("there is no alternative"—no alternative, of course, but to submit to the logic of dominant capital). (3) Because the status of globalization has not always been clearly defined (is it a determining objective force, or one tendency among others?) certain elements of the reform project outlined above strike me as doubtful. For example, I do not believe in the virtues of free trade (or in the concessions required of the periphery on its account). I prefer the vision of the authors of *The New Protectionism* to that of the advocates of a genuine free trade system.

The priorities for action that I am suggesting are therefore different from those outlined in the project under consideration. I emphasize actions to be undertaken in the following major directions: (1) Constructing Third World regions organized to face the "five monopolies" of dominant capitalism, and therefore capable of limiting their negative effects from the point of view of ongoing global polarization. (2) Reviving the European left and the construction of Europe, enriched by a progressive social content representing an advance, in this region, toward a "hegemony of labor," integrating Eastern Europe and the former USSR into this project. (3) Reviewing the financial and commercial relations between Europe, Japan, and the United States in a direction that would permit a relative stabilization of exchange rates

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and force the United States to give up its structural deficit; reorganization of trade relations in this perspective. (4) Reconstructing the UN system in order to make it the locus of political and economic negotiations to organize the articulation of commercial and financial interdependence between the major regions of the world; opening negotiations on disarmament; taking the first steps toward the creation of a world taxation system organized around objectives of protecting the environment and natural resources; etc. (5) Reforming the IMF in the spirit of the articulation of these regional/world interdependencies, and not implying its immediate transformation into a world bank.

In conclusion, I will say once again that the realism of this project is based on an understanding of history that does not accept the idea that historical "laws" precede history itself. What appear as "objective forces" (such as globalization) are only the products of a logic specific to a given system (in this case, capitalism), forms which are contradicted by the social interests of the forces that struggle against their realization. The real result of this conflict determines a configuration of subsystems articulated in a certain manner, depending on social relations of power and the outcome of struggle—thus a configuration which is permanently evolving of its own accord. The strategy of creating a world socialism necessary to avoid barbarism focuses on defining the paths most likely to lead to evolution in the direction of this objective.

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BOOKS

BUREAUCRATS AND AUTOCRATS

by Cheryl Payer

50 Years Is Enough: The Case Against the World Bank and the International Monetary Fund, edited by Kevin Danaher. Preface by Muhammed Yunus. Boston: South End Press for Global Exchange, 1994. 187 pp., $14.00.

I approached this book with a sinking heart. The list of disasters caused by Bank-Fund interference is set in stone and makes for very dispiriting reading: industries and local food production destroyed by import liberalization, national reserves sacked by foreign debt and capital flight, health and education systems destroyed by euphemistically named loans designed to disguise that destruction as support. Although the number of countries blighted by these policies imposed from abroad is now legion, I didn't look forward to reading about them yet again.

The volume under review is full of the expected bad news. The only good news is that this collection of critical essays, many previously published, has something for both the novice who knows little about the subject and for the specialist who may feel he or/she knows too much.

The first section, "The Global Context," contains essays by several well-known critics of the Fund and Bank summarizing the basic critiques, while the third section contains more of the expected bad news about "aid"-funded attacks on the environment, tribal peoples, and women. The country studies in the second section extend the frontiers of research on the effects of structural adjust-

Cheryl Payer is the author of *Lent and Lost: Foreign Credit and Third World Development*, published by Zed Books in 1991; *The World Bank: A Critical Analysis*, Monthly Review Press, 1982; and *The Debt Trap: The International Monetary Fund and the Third World*, MR Press, 1974.

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ment programs imposed by the terrible twins. Out of a strong collection it is unfair to single out any, but the articles on agriculture by Alicia Korten (Costa Rica) and Abdoulaye Ndiaye (Senegal) are noteworthy and Patrick Bond's essay on South Africa is particularly timely.

The fourth section, entitled "How the World Bank and IMF Work" (although all the articles are about the Bank) devotes undue space to internal Bank reports and politics. The nefarious impact of Bank projects may only be strengthened if success and efficiency, as measured by the Bank's own goals and standards, is improved. Patricia Adams, who contributed a provocative interview to the first section, here deprecates the prospect of any real reform in two scathing pages.

Former Bank employee Michael H. K. Irwin's "Insider's Look" (whose essay suggested the title of this review) contains an eye-popping list of the truly obscene salaries and perquisites enjoyed by the officials and experts of the Bank. The only real, if rueful, laugh in the book is provided by Irwin's account of the consternation and fury directed at him by other Bank staff because he (once) voluntarily saved the Bank $1,900 by flying business class rather than first class. This article is followed immediately by one by Margie Snider about the Third-World style working conditions of the janitors who work at the Bank. After failing to win recognition for their union, these workers with low wages and no "perks" at one point set up a tent "country" which they named "Janitorville" in the hope that as a country they might get better treatment from the Bank than they had received as employees.

The book would have been more timely had it included articles addressing current and future big stories: Eastern Europe and the former Soviet Union, where structural adjustment policies are causing economic and political disaster, and China, which is the last big market targeted by the capitalist establishment for Fund/Bank "restructuring." Critics of the Bank, with a few lonely exceptions, have exercised far better hindsight than foresight.

On another point, I find Walden Bello has erected a straw man in his nostalgic view of an assertive, confident South in the 1970s, so that he may blame Ronald Reagan's administration for a dramatic "counterrevolution" implemented by the World Bank's structural adjustment policies. Bello's own work from the pre- and early Reagan years more nearly matches this reviewer's own view: the Fund and Bank co-opted the Reagan conservatives (who in 1981 were making serious noises about defunding the multilateral agen-

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cies) into signing on to their already established enterprise, not vice versa.

The volume begins with a preface by Muhammed Yunus praising the Grameen Bank which he founded in Bangladesh, and the penultimate essay by Jessica Matthews praises Muhammed Yunus and his Grameen Bank. While the Grameen Bank may have done praiseworthy work in empowering rural women (and has been attacked by fundamentalists for that reason), the brute fact is that enabling a few hundred thousand small borrowers to rise into the petty bourgeoisie is a pitifully insufficient answer to the damage which this book, among others, demonstrates has been wrought by the World Bank and the IMF. Matthews quotes Yunus as saying anyone who asks for a loan is "a fake poor person. The person you are looking for will never come to you. When you find her she will say 'Oh I don't need money.' When you hear that, you've found your person."

But isn't this exactly what Citibank et al. stand accused of doing in countries such as Peru and Bolivia? It's the oldest banker joke of all: bankers only lend money to people who don't need it. The poor of the world don't need another "bank," however benign. They need decently paid work, responsive government, civil rights, and national autonomy. As this volume demonstrates, the Bank and Fund are enemies of all four.

NOTES

1. On the last, see the box on page 134 of the book under review.
2. Bias disclosure: this reviewer is quoted by Snider.

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Translated by Frank Bardacke, Leslie López, and the Watsonville, California, Human Rights Committee

Introduction by John Ross and Afterword by Frank Bardacke

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(Continued from inside front cover)
who have criticized the government for imprisoning left-wing activists without trial and sometimes without even disclosing the charges against them. Human rights groups also accuse the police of arresting and shooting suspected activists. 'The change in the government's attitude is a result of the constant efforts by the civil liberties movement,' said K.G. Kanbiran, the national president of the Peoples' Union for Civil Liberties."

We look forward to hearing many more such success stories—from India and everywhere else in the world.

We sadly report the death on January 12, at age eighty-nine, of Bill Pomerance, our good friend and a former business manager of MR. A lifelong socialist, Bill started out as a political activist and labor organizer during the Great Depression. Among his many activities were serving as youth director of New York's American Labor Party in the 1930s and as executive director of the Screen Writers Guild in the 1940s. In the midst of a bitter cartoonists strike at the Disney Studios in 1941, when Disney adamantly refused union recognition, the Screen Cartoonists Guild hired Bill as their business agent. Bill pulled in support from labor unions in this country and in South America, where Disney was scheduled to make a good-will tour for the State Department. The maneuver worked; the union got recognition, but Disney neither forgot nor forgave, using his testimony before the HUAC years later to denounce Bill. Hounded by the red hunt, he entered the business world. Throughout the years he was a devoted reader and financial supporter of MR.

Not infrequently we receive articles submitted for publication in *MR* which, judged only on their content, are acceptable but which we nevertheless feel obligated to reject. Here is a recent rejection letter which explains why: "Thank you for sending your paper to *Monthly Review*. It is very interesting and informative but much too long and laden with specialist language to be published in its present form. Would you like to edit it and resubmit it? Were you to do so, we would want you to cut it by about half, focus it more sharply, reduce the number of direct quotations from 'authorities,' reduce the amount of such jargon as 'upward harmonization,' 'social chapters,' 'globalization from below,' get rid of footnotes other than the sources of direct quotations, and reduce the amount of gratuitous detail unrelated to your message."

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CARLOS M. VILAS

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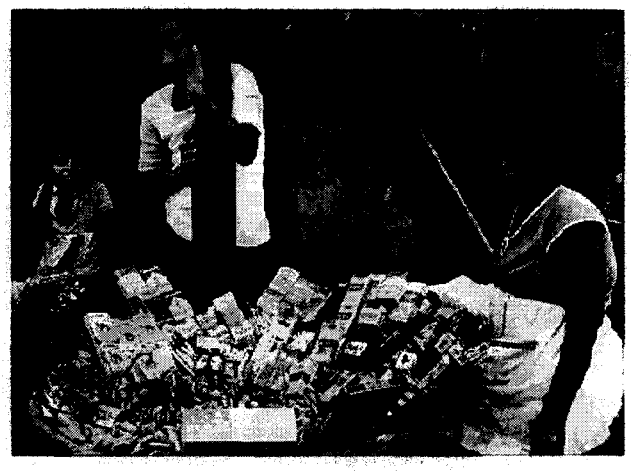

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